

104TH CONGRESS
2D SESSION

H. R. 3209

To amend the Internal Revenue Code of 1986 to increase the maximum amount deferrable under a 457 plan for any year to the amount deferrable for such year under a 401(k) plan, and to require that amounts in 457 plans be held in trust.

IN THE HOUSE OF REPRESENTATIVES

MARCH 29, 1996

Mr. BEREUTER introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to increase the maximum amount deferrable under a 457 plan for any year to the amount deferrable for such year under a 401(k) plan, and to require that amounts in 457 plans be held in trust.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. INCREASE OF MAXIMUM AMOUNT DEFER-**
 2 **RABLE UNDER 457 PLAN TO AMOUNT DEFER-**
 3 **RABLE UNDER 401(K) PLAN FOR SAME YEAR**
 4 **AND REQUIREMENT THAT AMOUNTS IN 457**
 5 **PLANS BE HELD IN TRUST.**

6 (a) INCREASE IN AMOUNT DEFERRABLE UNDER 457
 7 PLAN.—

8 (1) IN GENERAL.—Subparagraph (A) of section
 9 457(b)(2) of the Internal Revenue Code of 1986 (re-
 10 lating to deferred compensation plans of State and
 11 local governments and tax-exempt organizations) is
 12 amended to read as follows:

13 “(A) the limitation in effect for such tax-
 14 able year under section 402(g)(1), or”.

15 (2) EFFECTIVE DATE.—The amendment made
 16 by paragraph (1) shall apply to taxable years begin-
 17 ning after the date of the enactment of this Act.

18 (b) TRUST REQUIREMENT.—

19 (1) IN GENERAL.—Paragraph (6) of section
 20 457(b) of such Code (relating to eligible deferred
 21 compensation plan defined) is amended by striking
 22 the text following subparagraph (C) and inserting
 23 the following:

24 “shall be held in trust for the exclusive benefit of
 25 participants and their beneficiaries until made avail-
 26 able to participants or their beneficiaries.”

1 (2) SPECIAL RULES FOR TRUSTS.—Section 457
2 of such Code is amended by adding at the end the
3 following new subsection:

4 “(g) TRUSTS AND PARTICIPANTS.—

5 “(1) TAXABILITY OF TRUSTS AND PARTICI-
6 PANTS.—For purposes of this title—

7 “(A) a trust described in subsection (b)(6)
8 shall be treated as an organization exempt from
9 taxation under section 501(a), and

10 “(B) notwithstanding any other provision
11 of this title, amounts in the trust shall be in-
12 cludible in the gross income of participants and
13 beneficiaries only to the extent, and at the time,
14 provided in this section.

15 “(2) CUSTODIAL ACCOUNTS AND CONTRACTS.—
16 For purposes of this subsection and subsection
17 (b)(6), custodial accounts and contracts described in
18 section 401(f) shall be treated as trusts under rules
19 similar to the rules under section 401(f).”

20 (3) EFFECTIVE DATES.—

21 (A) STATE AND LOCAL GOVERNMENTS.—

22 In the case of an eligible employer (within the
23 meaning of section 457(e)(1) of such Code)
24 which is a State, political subdivision of a State,
25 or any agency or instrumentality of a State or

1 political subdivision of a State, the amendments
2 made by this subsection shall apply to assets
3 and income described in section 457(b)(6) of
4 such Code and held by a plan on and after the
5 earlier of—

6 (i) the date which is 90 days after the
7 close of the 1st session of the legislature of
8 such State which begins after the date of
9 the enactment of this Act, or

10 (ii) January 1, 1998.

11 (B) TAX EXEMPT ORGANIZATIONS.—In the
12 case of an eligible employer (within the meaning
13 of section 457(e)(1) of such Code) not described
14 in subparagraph (A), the amendments made by
15 this subsection shall apply to assets and income
16 described in section 457(b)(6) of such Code and
17 held by a plan on and after January 1, 1998.

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